

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION INTO THE)	
ALLEGED DEFICIENCIES OF)	CASE NO. 10479
RILEY AND SCOTT GAS COMPANY)	

O R D E R

On June 22, 1988, investigators from the Commission's Gas Pipeline Safety Branch conducted a safety inspection of Riley and Scott Gas Company ("Riley and Scott"), which provides natural gas to 85 customers in Virgie, Kentucky. The findings of that inspection were set forth in the annual comprehensive inspection report dated July 12, 1988. The investigators reported that a portion of the pipeline configuration of Riley and Scott at Virgie was constructed so that a backfeed from the gathering line through a 2,600 foot, 2-inch steel line existed, with the pressure regulated at a point remote from the customers. Consequently, the investigators concluded that pursuant to KRS 278.504(3) this portion of Riley and Scott met the definition of a local distribution company.

On August 25, 1988, a meeting was conducted between Commission Staff and James Kreutzer, operator of Riley and Scott. Mr. Kreutzer stated that Riley and Scott did not want to be classified as a distribution utility and that further it would be

uneconomical to bring the Virgie portion of the system into compliance as a distribution utility.

On December 5, 1988, the Commission entered an Order directing Riley and Scott to present evidence concerning the operation of the Virgie portion of the system, including alleged violations of 807 KAR 5:022; to show cause why Riley and Scott should not be subject to the penalties prescribed by KRS 278.990; and to demonstrate what corrective action will be taken to bring the system into compliance with Commission regulations. A hearing was scheduled for January 17, 1989.

On January 10, 1989, investigators conducted a follow-up inspection of Riley and Scott and found that Riley and Scott had corrected some of the deficiencies noted in the prior inspection report. Therefore, on January 16, 1989, an Order was entered continuing the show cause hearing to allow Riley and Scott sufficient time to respond to the deficiencies outlined in the follow-up inspection report issued January 24, 1989. Riley and Scott responded to the follow-up report on March 10, 1989, providing information regarding its progress in bringing the system into compliance with Commission regulations.

After reviewing the record in this case and being advised, the Commission is of the opinion and finds that:

1. Riley and Scott is proceeding with its work to correct the deficiencies and bring the system into compliance with Commission law and regulations.

2. Riley and Scott abandoned 2,600 feet of uncoated, buried steel line from the system.

3. Riley and Scott plans to replace approximately 1,200 feet of steel line with plastic line in 24 to 36 months. The period of complete replacement should not exceed 12 months. Until replaced with plastic, a leak inspection should be conducted on the steel line every 3 months to ensure safe operation.

4. Riley and Scott plans to connect the main gas pipeline of Virgie to the gathering system. This work will begin in June 1989 and is estimated to be completed by September 1989. This connection should exempt the system from being a distribution system pursuant to KRS 278.101(3)(b) since Virgie's main line will be a part of the gathering system.

5. Riley and Scott has taken significant steps toward bringing the system into compliance with Commission law and regulations, and this case should accordingly be dismissed.

IT IS THEREFORE ORDERED that: .

1. Riley and Scott shall continue with its work to correct the deficiencies reported in the inspection reports and fully comply with the Commission's law and regulations, KRS Chapter 278 and 807 KAR 5:022.

2. The buried, uncoated steel line described in Finding 3 shall be replaced by a plastic pipeline designed for natural gas service and installed no later than 12 months from the date of this Order. A leak inspection shall be performed on the existing steel line every 3 months until the replacement of the line is completed.

3. Riley and Scott's system at Virgie will be considered a gathering system and not a distribution system after the


connection of the Virgie main line to the gathering line is completed as described in Finding 4.

4. This case shall and it hereby is dismissed.

Done at Frankfort, Kentucky, this 4th day of May, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director